

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 30/09/2021

latest unit price \$1.5443	return since inception (Oct 2017) 63.67%	return 1 month -0.21%
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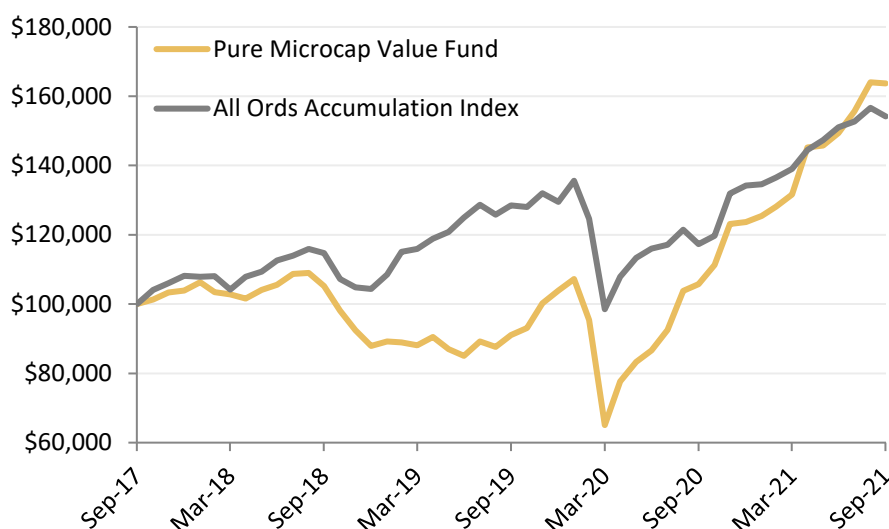
FUND OUTLINE

Fund Manager:

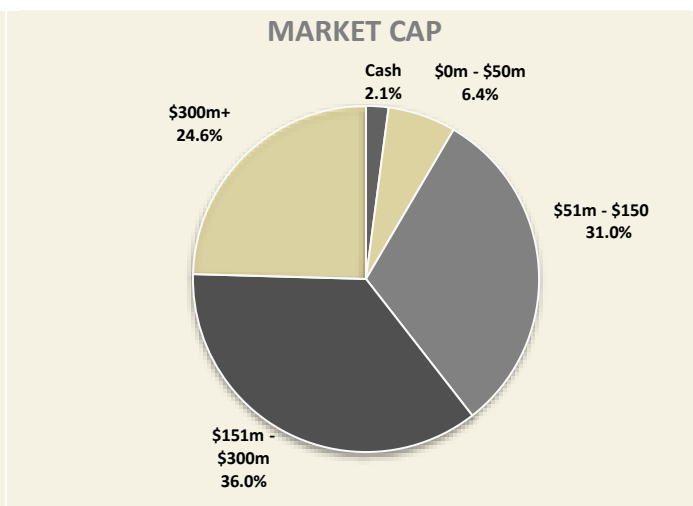
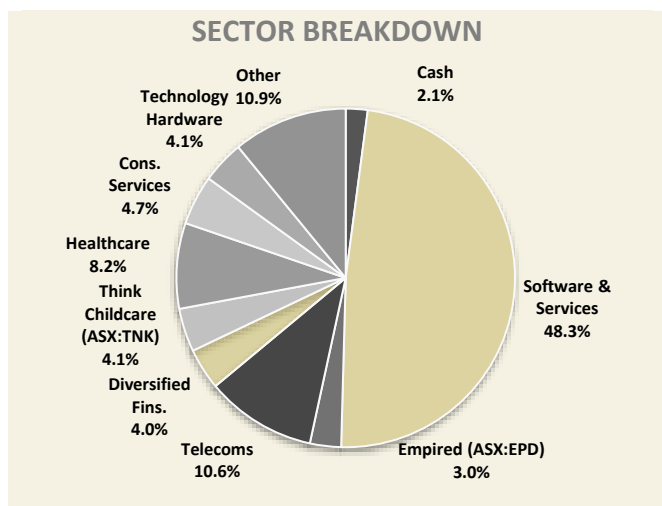
Carlos Gil (CIO)

The Pure Microcap Value Fund is a wholesale fund investing in a portfolio of undervalued, profitable and growing ASX microcap companies.

VALUE OF \$100,000 INVESTED AT INCEPTION > **\$163,672**



	Compound p.a. since inception	Total since inception	3 Year	2 Year	1 Year	6 Month	1 Month
PMVF	13.11%	63.67%	15.87%	34.04%	54.77%	24.33%	-0.21%



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MARKET UPDATE AND COMMENTARY

China's overreliance on a bloated real estate industry that disproportionately accounts for about 29% of its GDP gave a strong reminder to Chinese government officials of the unsustainability and structural flaws in the economy. Evergrande's troubles may be the first crack of a real estate sector that China has unduly relied upon to partly fuel its astonishing economic growth. It is quite possible that the Chinese real estate sector is at an inflection point. Part of the reason for China's oversized real estate sector is its citizen's high savings propensity with a gross savings rate of 45%, compared that to the US which sits around 8%. One can appreciate the scale of the Chinese government's challenge. To have a consumer led economy, one's population must seek to consume. The western world's consumer led culture is more easily seduced by the myriad of products and services. Thus, its higher propensity to save (and invest) less. US Federal Reserve chairman Jerome Powell signalled to the market a continuum of a dovish monetary policy which will see tapering begin to be unwound in 2021 but no upward move on interest rates until 2022, possibly 2023.

Microequities Pure Microcap Value Fund returned -0.21% in September; this brings the total return net of fees to 63.67% for the Fund since inception in October 2017.

The Fund exited its holding in **Redhill Education (ASX:RDH)** during the month. We have doubts around the sustainability of the merger partner, ICT's earnings sustainability over the medium to long term and the fact the Redhill directors were willing to entertain a highly dilutive scrip merger meant we lost confidence in their abilities to protect shareholder's capital.

There were some notable updates from a number of our companies:

- Adventure tourism business announced a significant acquisition at month end of a domestic focused tourism business. This is the first major acquisition under new leadership and to date we have been impressed with their sensible operational management of the business under tough circumstances and tight capital management.
- **Readytech (ASX:RDY)**, enterprise software provider across payroll, student management software and local government and justice software announced a nice bolt on acquisition of a student management software for the TAFE market. This acquisition is more strategic in nature and brings 6 new TAFE relationships where there will be upsell opportunities to Readytech's full student management suite in future periods.
- Regional telecommunications business raised \$20m in an oversubscribed placement that will accelerate construction of its regional mobile network and discussions with other carriers around testing innovative mobile infrastructure technology.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+32.9%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+32.1%

Number of companies	33
Top 5 Holdings % of NAV	39.9%
Top 10 Holdings % of NAV	61.3%
Top 20 Holdings % of NAV	87.6%
Cash Position % of NAV	2.1%

Important information: This information is not intended to be financial advice. Past performance is not indicative of future performance. Microequities Asset Management Pty Ltd is a corporate authorised representative, number 462438, as appointed by Microequities Asset Management Group Limited holder of AFSL number 287526. Application for units in the Fund is limited to investors that are wholesale or sophisticated investors within the meaning of Section 761G(7) and 761GA(7) of the Corporations Act 2001.